VAN DER HOUT ASSOCIATES LIMITED
HEAD OFFICE, 3600 LAKE SHORE BOULEVARD WEST, TORONTO, CANADA

Van Der Hout
ASSOCIATES LIMITED

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Semi-Annual Report to Shareholders
June 30, 1972

Van Der Hout ASSOCIATES LIMITED

TO OUR SHAREHOLDERS:

Net earnings for the first half of 1972 increased 66% to $459,918 from $277,285 for the first half of 1971. Earnings per share were 53.3¢ compared to 32.8¢, an increase of 63%.

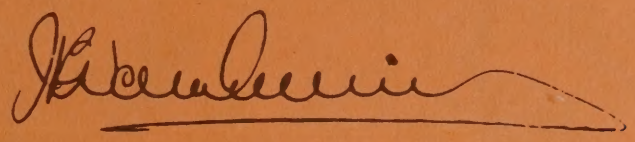
Second quarter earnings were $247,018 for 1972 compared to $200,681 for 1971, an increase of 23%. Earnings per share were 28.2¢ compared to 23.7¢, an increase of 19%.

This increase in earnings is the result of many things we have previously reported upon. The most significant item is the improvement of gross margins resulting from both better manufacturing methods and efficiencies, and a more favourable sales mix. In this connection I am pleased to be able to report, by way of example, that while overall sales are reduced as a result of our current program to eliminate business that does not meet specific profit criteria, our more highly margined replacement sales of shock absorbers are ahead of last year by 24%.

This increase in replacement sales reflects an ever increasing awareness of the safety and comfort features of new shock absorbers for that segment of the population that drives two to eight year old automobiles. Our advertising programmes are designed to ensure our maximum participation in this area which is perhaps the fastest growing portion of the automotive replacement market in North America.

Our research and development activity continues, with new products and ideas being explored for their development potential once the bumper energy absorbers we are presently developing have gone into production.

Comparing our results to our forecasts, we project that 1972 will be another record earnings year.



J. B. Van Der Hout
President

STATEMENT OF INCOME (UNAUDITED)
For the six months ended June 30, 1972

	1972	1971
Net Sales – Van Der Hout Associates Limited and its subsidiaries	**$1,486,342**	$1,747,750
– Gabriel of Canada Limited and its subsidiary	**8,039,797**	8,159,886
Total Net Sales under management	**9,526,139**	9,907,636
Operating income – Van Der Hout Associates Limited and its subsidiaries	**193,496**	183,426
Less: Income taxes	**93,845**	91,691
Minority interest	**4,822**	4,570
	98,667	96,261
	94,829	87,165
Equity in net earnings of Gabriel of Canada Limited and its subsidiary	**365,089**	190,120
Net Income	**$ 459,918**	$ 277,285
Per share income (Note)	**53.3¢**	32.8¢

STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)
For the six months ended June 30, 1972

	1972	1971
Source of Funds		
Operations		
Net income	**$ 459,918**	$ 277,285
Add back items not involving a current outlay or (receipt) of funds:		
Equity in net earnings of Gabriel	**(365,089)**	(190,120)
Depreciation and amortization	**12,609**	10,836
Minority interest in profit	**4,822**	4,570
	112,260	102,571
Proceeds from issue of common shares (Note)	**200,000**	40,000
	312,260	142,571
Application of Funds		
Reduction of long-term debt	**1,000**	2,000
Additions to fixed assets	**17,656**	23,253
Minority interest in preferred shares redeemed by subsidiary	**—**	4,900
	18,656	30,153
Increase in working capital	**293,604**	112,418
Working capital at beginning of period	**904,826**	765,515
Working capital at end of period	**$1,198,430**	$ 877,933

Note: During the second quarter the Company issued 40,000 Common shares at $5.00 pursuant to an employee stock option agreement. Earnings per share are calculated using the weighted average number of shares outstanding during the period.